

Office of Environmental Management Standard Operating Policies and Procedures Annual Environmental Liability Estimates

September 2010

EM EL SOPP Overview

- EM is required to annually update the environmental liability (EL) estimate before it is recorded in the financial statements.
- The SOPP is applicable to all Federal and contractor personnel responsible for estimating and/or reporting the EM EL estimate.

- The SOPP is to be used for developing and reviewing EM EL estimate to:
 - Ensure that the approach used to formulate the estimate are consistent and properly documented;
 - Ensure that the estimate is accurate and complete; and
 - Ensure interfaces between sites and other programs are factored into the estimate.

EM EL SOPP Objectives

- The objectives of the EM EL SOPP are to:
 - Clarify the roles and responsibilities at EM HQ and the field sites for preparing and reporting the EM EL estimate;
 - Reduce errors and inconsistencies in the preparation of the estimate;
 - Improve the ability to reconcile and explain changes from the previous audit period;
 - Simplify reporting of information during the audit;
 - Improve documentation of assumptions, explanations to auditors, adjustments and subsequent events reported during the audit.



- Each field site must designate a single POC for the EM EL estimate who will:
 - Serve as the field office liaison for information dissemination;
 - Coordinate site visits and conference calls requested by the auditors;
 - Obtain EM HQ approval to release any draft or preliminary documents requested by the auditors;
 - Ensure long-term stewardship (LTS) start dates coincide with PBS end dates for completion of EM work at the site;



- Verify that decontamination and decommissioning (D&D) costs are included only for facilities owned by EM;
 - D&D costs for active facilities are recorded by the PSOs as a non-EM EL (aka REL) liability; and
 - EM should not record a liability for D&D of non-EM facilities until these facilities are formally accepted into the EM program.
- Print the IPABS-IS GEN-2 reports for all PBSs for the site, obtain the appropriate signatures on each GEN-2 report, scan the signed reports and upload them to the IPABS-IS EL module; and
- Prepare responses to audit findings issued to the site.
 - These responses must be coordinated with the EM HQ Liaison (S. Gomberg) and the Office of Financial Control and Reporting (L. Jessup and S. Bleigh).



- Estimates are submitted into IPABS in current dollars;
 - IPABS de-escalates the estimates into constant dollars;
 - Field sites are responsible for ensuring that the correct escalation rates are reflected in IPABS along with the annual cost profile.
- If a range of estimates are available, and all points in that range are considered equally probable, then the lower end of the range should be recorded in the estimate;
 - If any point in the range is more probable than the other points in the range, the more probable point must be recorded in the estimate.

- If new information becomes available, that materially affects the estimate, prior to issuance of the audit opinion (approximately the 2nd week in Nov.) the estimate should be adjusted if the change is considered probable;
 - If sufficient time is not available to fully review the updated cost information, a placeholder adjustment should be recorded;
 - All adjustments must include an explanation for the basis of the adjustment; and
 - A zero adjustment can be made in IPABS to document that the new information was considered as long as the reason for not making the adjustment is documented and justified.

- EM portion of the EL estimate is based on four components:
 - Approved PBS lifecycle costs at the 50% confidence level (under configuration control), includes near-term baselines (NTB), out-year planning estimate ranges (OPER), and nonprojects;
 - Pending change requests;
 - Adjustments any increments not included in the two categories above, including:
 - New scope;
 - Cost growth;
 - Changing assumptions;
 - Performance; and
 - CFO adjustments.

- Adjustments; (cont.)
 - May be submitted at any point during the reporting period, up until early November.
- Contingency accounts for uncertainty in the estimate, including:
 - NTB and OPER; and
 - Non-projects.
 - Calculated using:
 - Uncertainty scores in IPABS (prior approach);
 - Risk-Based Methodology (FY11 approach).

LTS:

- Field offices must prepare a placeholder estimate for LTS costs at sites where EM has an active cleanup mission until EM work is complete and the LTS responsibility transitions to the PSO or LM;
- Start date for LTS must begin the year after EM work is complete;
- LTS should be estimated for 75 years from the current year unless otherwise stipulated in statues, regulations, agreements, etc.;
- LTS should be updated annually for changes to EM project schedules, changes to end-states that result in different monitoring and surveillance activities, etc.

EM EL Schedule

Schedule for reporting the Environmental Liability:

February EM HQ issues Budget/IPABS-IS guidance;

April Sites update EL in IPABS-IS Environmental

Liability Module;

May EM HQ evaluates submittals for

consistency between sites and other

Program Offices;

June HQ submits draft EL estimate to OFCR;

July OIG/audit team begins field audits;

EM EL Schedule (cont.)

August Sites submit signed GEN-2 reports;

Sept EM HQ/Sites provide supplemental

support to resolve audit issues/questions;

OIG/audit team completes field audits;

Oct EM HQ submits final EL Estimate to OFCR;

Oct/Nov EM HQ/Sites report subsequent events

and record final adjustments, audit

closeout; and

Dec EM HQ/Sites respond to findings/issues

and revise procedures and processes

accordingly.

Key Point

 Regardless of EM approval, programmatic changes, etc., all changes to the environmental liability MUST be reported as a liability in the applicable reporting period and discussed with HQ CFO and EM HQ.